

EX 18

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FILED 5-3-2000
BOOK 1387 PAGE 259-262
Willie McClusky, Recorder
SALINE COUNTY, IL

SHORT FORM NOTICE OF SURFACE LEASE

THIS MEMORANDUM OF SURFACE LEASE is dated this 15th day of May, 2000, between SUGAR CAMP COAL, LLC., as "Lessor" and ARCLAR COMPANY LLC, as "Lessee".

WITNESSETH:

1. That on the 15th day of May, 2000, the parties entered into a Surface Lease leasing the surface and so much of the subsurface as is necessary to access the No. 5 and No. 6 seam of coal of the following premises, situated, lying, and being in Saline County, State of Illinois:

Tract No. 241

Beginning at a point Thirty-five (35) feet West of the Northeast corner of the Southwest Quarter (SW 1/4) of the Southwest Quarter (SW 1/4) of Section One (1), Township Nine (9) South, Range Seven (7) East of the Third Principal Meridian, Saline County, Illinois, thence West to the West line of said Southwest Quarter (SW 1/4), thence South to a point on said Quarter Section line, Eighty-two (82) feet from the Southwest corner thereof, thence East to a point Thirty-five (35) feet West of the East line of the Southwest Quarter (SW 1/4) of the Southwest Quarter (SW 1/4) of Section One (1), Township Nine (9) South, Range Seven (7) East of the Third Principal Meridian, thence North to the place of beginning, containing Thirty-one (31) acres, more or less, all located in the Southwest Quarter (SW 1/4) of the Southwest Quarter (SW 1/4) of Section One (1), Township Nine (9) South, Range Seven (7) East of the Third Principal Meridian, Saline County, Illinois, and

A part of the Southeast Quarter (SE 1/4) of Section Two (2), Township Nine (9) South, Range Seven (7) East of the Third Principal Meridian, Saline County, Illinois, described as follows: Beginning at the Northeast corner of the East Half (E 1/2) of the Southeast Quarter (SE 1/4) of Section Two (2), and running West on the Land Line, Eight Hundred Two and One-Half (802 1/2) feet, thence South One Hundred Sixty (160) rods to the South line of said Quarter Section; thence East Eight Hundred Two and One-Half (802 1/2) feet to the Southeast corner of said Quarter Section; thence North on the Land Line to the place of beginning, excepting, however, a parcel of land Seventy-Five

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Order 15

This is to certify that the foregoing is a true and correct copy of a lease as recorded in Book 1387 Page 259-262 Dated 13th day of June, 2000

WILLIE MCCLUSKY
Saline County Clerk and Recorder

Willie McClusky

(75) feet North and South and Sixteen and One Half (16 1/2) feet East and West out of the Southeast corner thereof, and also, excepting, approximately Six (6) acres in the Northeast Quarter (NE 1/4) of the Southeast Quarter (SE 1/4) of Section Two (2), Township Nine (9) South, Range Seven (7) East described as beginning at a point which is Four Hundred Two and One Half (402.5) feet West of the Northeast corner of the East Half (E 1/2) of the Southeast Quarter (SE 1/4) of Section Two (2), thence running South Six Hundred Sixty (660) Feet, thence West Four Hundred (400) feet, thence North Six Hundred Sixty (660) Feet, thence East Four Hundred (400) feet to the place of beginning, all of the above-described real estate containing Seventy-three (73) acres, more or less.

Also,

Tract No. 242/1181-004 (T2)

Beginning at a point which is 402.5 feet W of the NE corner of the E 1/2 SE 1/4 of Sec. 2, T9S, R7E, running thence S 660 feet; thence W 400 feet; thence N 660 feet; thence E 400 feet to the place of beginning, containing 6.1 acres, more or less, situated in the County of Saline, State of Illinois.

Also,

Tract No. 242/1181-013 (T31)

Part of the N 1/2 of the SW 1/4 of Section 1, T9S, R7E of the 3rd P.M. as follows: Beginning at the NW corner of the NW 1/4 of the SW 1/4; thence East 126 rods to a road, thence SE with the road 89 23/25 rods, thence West 148 rods to the West line of Section 1, thence North 87 14/25 rods to the place of beginning containing 74.5 acres, more or less, situated in the County of Saline, State of Illinois.

Also,

Tract No. 242/1181-004- (T3)

All that part of the E 1/2 of the SE 1/4 of Section 2, T9S, R7E, lying West of a line which is 802.5 feet West of the East line of said 80 acre tract; Also, part of the W 1/2 of the SE 1/4 of Section 2, T9S, R7E, described as follows: Beginning at the Northeast corner of the NW 1/4 of the SE 1/4 of said Section 2, running thence West 12 rods 12.5 feet; thence South 61 rods 6 3/5 feet; thence West 14 rods 3 feet; thence South to a point on the East right of way line of the Louisville and Nashville Railroad; thence Southeasterly along the East right of way line of said railroad to the West line of the E 1/2 of said quarter section; thence North along the West line to the place beginning, situated in the County of Saline, State of Illinois.

2. That said Surface Lease specified the terms and conditions of the lease for said real estate, the time and manner of its termination, the handling of titular matters, taxes, insurance and possession, and other matters.

3. This Memorandum is prepared and recorded for purposes of notice of the rights of each of the parties under said Surface Lease.

LESSOR:

SUGAR CAMP COAL LLC

By: 

George J. Pearson, President

Attest:


Michael Mitchell, Assistant Secretary

LESSEE:

ARCLAR COMPANY LLC

By: 

George J. Pearson, President

Attest:


Michael Mitchell, Assistant Secretary

State of Illinois)

: ss.

County of Saline)

I, the undersigned, Notary Public, in and for said County in the State aforesaid, do hereby certify that GEORGE J. PEARSON, personally known to me to be the President of SUGAR CAMP COAL, LLC, an Indiana limited liability company, and MICHAEL MITCHELL, personally known to me to be the Assistant Secretary of said limited liability company, and personally known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that as such President and Assistant Secretary, they signed and delivered the said instrument as President and Assistant Secretary of said limited liability company, pursuant to authority given by the Members of said limited liability company, as their free and voluntary act, and as the free and voluntary act of said limited liability company, for the uses and purposes therein set forth.

Given under my hand and notarial seal this 1st day of May, 2000.

Beth Harris
Notary Public

State of Illinois)

: ss.

County of Saline)



I, the undersigned, Notary Public, in and for said County in the State aforesaid, do hereby certify that GEORGE J. PEARSON, personally known to me to be the President of ARCLAR COMPANY LLC, an Indiana limited liability company, and MICHAEL MITCHELL, personally known to me to be the Assistant Secretary of said limited liability company, and personally known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that as such President and Assistant Secretary, they signed and delivered the said instrument as President and Assistant Secretary of said limited liability company, pursuant to authority given by the Members of said limited liability company, as their free and voluntary act, and as the free and voluntary act of said limited liability company, for the uses and purposes therein set forth.

Given under my hand and notarial seal this 1st day of May, 2000.

Beth Harris
Notary Public



Prepared By: Wilson & Cape, Attorneys at Law, P.O. Box 544, Harrisburg, IL 62946
(618) 252-5302 (jk)d:sugarsh2.frm

SURFACE LEASE

THIS SURFACE LEASE made and entered into May 1, 2000, at Harrisburg, Saline County, State of Illinois, by and between SUGAR CAMP COAL, LLC, an Indiana limited liability company, ("Lessor") and ARCLAR COMPANY LLC, an Indiana limited liability company ("Lessee");

WITNESSETH:

The Lessor and the Lessee, for and in consideration of the keeping by the parties of their respective obligations hereinafter contained, as well as for One and No/100 Dollars (\$1.00) and other valuable consideration paid in hand simultaneously with the execution and delivery of this Surface Lease, receipt whereof is hereby acknowledged, agree as follows:

Article I Demised Premises

1. Lessor's Demise. Upon the terms and conditions hereinafter set forth, and in consideration of the payment of the rents and the prompt performance by the Lessee of the covenants and agreements, to be kept and performed by the Lessee, the Lessor does lease, let, and demise to the Lessee and the Lessee hereby leases from the Lessor, the surface and so much of the subsurface as is necessary to access the No. 5 and No. 6 seam of coal of the following described premises, situated, lying, and being in Saline County, State of Illinois:

Tract No. 241

Beginning at a point Thirty-five (35) feet West of the Northeast corner of the Southwest Quarter (SW 1/4) of the Southwest Quarter (SW 1/4) of Section One (1), Township Nine (9) South, Range Seven (7) East of the Third Principal Meridian, Saline County, Illinois, thence West to the West line of said Southwest Quarter (SW 1/4), thence South to a point on said Quarter Section line, Eighty-two (82) feet from the Southwest corner thereof, thence East to a point Thirty-five (35) feet West of the East line of the Southwest Quarter (SW 1/4) of the Southwest Quarter (SW 1/4) of Section One (1), Township Nine (9) South, Range Seven (7) East of the Third Principal Meridian, thence North to the place of beginning, containing Thirty-one (31) acres, more or less, all located in the Southwest Quarter (SW 1/4) of the Southwest Quarter (SW 1/4) of Section One (1), Township Nine (9) South, Range Seven (7) East of the Third Principal Meridian, Saline County, Illinois, and

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said Quarter Section; thence East Eight Hundred Two and One-Half (802 1/2) feet to the Southeast corner of said Quarter Section; thence North on the Land Line to the place of beginning, excepting, however, a parcel of land Seventy-Five (75) feet North and South and Sixteen and One Half (16 1/2) feet East and West out of the Southeast corner thereof, and also, excepting, approximately Six (6) acres in the Northeast Quarter (NE 1/4) of the Southeast Quarter (SE 1/4) of Section Two (2), Township Nine (9) South, Range Seven (7) East described as beginning at a point which is Four Hundred Two and One Half (402.5) feet West of the Northeast corner of the East Half (E 1/2) of the Southeast Quarter (SE 1/4) of Section Two (2), thence running South Six Hundred Sixty (660) Feet, thence West Four Hundred (400) feet, thence North Six Hundred Sixty (660) Feet, thence East Four Hundred (400) feet to the place of beginning, all of the above-described real estate containing Seventy-three (73) acres, more or less.

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2. Conditions. The demise is likewise made subject to the following:

(a) Conditions, restrictions, and limitations, if any, there be now appearing of record;

(b) Zoning ordinances of any municipality, the County of Saline, State of Illinois, and any other governmental body now existing or which may hereafter exist by reason of any legal authority during the life of this Lease;

(c) Any questions of survey, the Lessee having satisfied itself as to the boundary lines and contents of the premises above described and likewise satisfied itself with a sufficiency of the present title of the Lessor; and

(d) The proper performance by the Lessee of all of the terms and conditions contained in this Lease.

3. Lessor acknowledges that Lessee will be using the leased premises for a Surface Mining Facility within the meaning of 225 ILCS 705/1.16 and that the Lessee will be permitting the property for mining use pursuant to the Surface Mining Control and Reclamation Act 30 USCA Sec. 1201 et. seq., the Surface Mined Coal Land Conservation and Reclamation Act 225 ILCS 715/1 et. seq., and the Surface Coal Mining Land Conservation and Reclamation Act 225 ILCS 720/1.01 et. seq. Lessor acknowledges that Lessee may change the natural drainage of the leased premises and build coal refuse ponds, gob piles, ditches, watercourses, lakes, and other items necessary or convenient to coal mining and a coal mining support facility, any or all of which may remain on the property and may affect the use of the property after the termination of this Lease and Lessor waives any claim for damages because of the same.

4. Lessor agrees that it will not pose objections to Lessee's permit application or otherwise oppose in any manner Lessee's use of the leased premises as a Surface Mining Facility.

Article II Term

To have and to hold the demised premises for a term commencing May 1, 2000, and ending at such time as the Lessee has terminated mining activities, removed those items required to be removed from the premises by Lessee's mining permit, reclaimed the property as required by Lessee's mining permit and obtained a release of Lessee's reclamation lands.

Article III Rent

1. (a) Annual Rentals. The rent which the Lessee agrees to pay to the Lessor is Twelve Thousand and No/100 Dollars (\$12,000.00) per year. All rent payments shall be paid annually and in advance.

(b) Due Date. All rental payments shall be made on the anniversary of the payment of the first rental.

(c) Place of Payment. Rent shall be payable at such place as the Lessor may specify, in writing, from time to time.

(d) Net Lease. All rent shall be absolutely net to Lessor, so that this Lease shall, except as hereinafter provided to the contrary, yield net to Lessor the rent, to be paid in each year during the term of this Lease. Accordingly, all costs, expenses, and obligations of every kind or nature, whatsoever, relating to the demised premises, or any improvements thereon, which may arise or become due during the terms of this Lease, shall be paid by the Lessee, and the Lessor shall be indemnified and saved harmless by the Lessee from and against the same. Nothing herein contained shall be deemed to require the Lessee to pay or discharge any liens or mortgages of any character whatever which may hereafter be placed upon the demised premises by the affirmative act of the Lessor; except that it is understood and agreed that the Lessee shall pay and discharge temporary and permanent mortgages referred to in this Lease.

Article IV **Payment of Taxes**

1. Lessee's Obligations. The Lessee shall pay, before any fine, penalty, interest, or cost may be added, or become due or be imposed for nonpayment thereof, all taxes, assessments, water and sewer rents, rates and charges, transit taxes, charges for public utilities, excises, levies, licenses, and permit fees and other governmental charges, general and special, ordinary and extraordinary, unforeseen and foreseen, of any kind and nature, whatsoever, which at any time during the term of this Lease may be assessed, levied, confirmed, imposed upon, or grow or become due and payable out of or in respect of, or becomes a lien on, the demised premises, or any improvements thereon, or any part thereof or any appurtenance thereto.

2. Obligations Altered. Nothing herein shall require the Lessee to pay municipal, state or federal income taxes assessed against the Lessor, municipal, state, or federal capital levy, estate, succession, inheritance, or transfer taxes of the Lessor, or corporate franchise taxes imposed upon any corporate owner of the fee of the demises premises.

3. Mode of Payment. The Lessee shall pay the taxes and other charges as enumerated in this Article and shall deliver official receipts evidencing such payment to the Lessor, which payment of taxes shall be made and the receipts delivered, at least 30 days before the tax, itself, would become delinquent in accordance with the law then in force governing the payment of such tax or taxes. If, however, the Lessee desires to contest the validity of any tax or tax claim, the Lessee may do so without being in default hereunder, provided the Lessee gives the Lessor notice of the Lessee's intention to do so and furnished the Lessor with a bond with a surety company one and one-half times the amount of the tax.

4. Lessee's Default. If the Lessee shall fail, refuse, or neglect to make any of the payments required in this Article, then the Lessor may pay the same, and the amount or amounts of money so paid, including reasonable attorneys' fees and expenses which might have been reasonably incurred because of or in connection with such payments, together with interest on all such amounts at the rate of 18% per annum, shall be repaid by the Lessee to the Lessor, upon the demand of the Lessor, and the payment thereof may be collected or enforced by the Lessor in the same manner as though such amount were an installment of rent specifically required by the terms of this Lease to be paid by the Lessee to the Lessor, upon the day when the Lessor demands repayment thereof or reimbursement therefor of and from the Lessee; but the election of the Lessor to pay such taxes shall not waive the default thus committed by the Lessee.

Article V Mechanic's Liens

No Lien. The Lessee shall not have the power to subject the interest of the Lessor in the premises to any mechanics' or materialmen's liens or lien of any kind, unless a specific provision to the contrary authorizing in specific terms the creation of such lien or liens, is elsewhere herein contained.

Article VI Governing Law, Cumulative Remedies

1. Governing Law. All of the rights and remedies of the respective parties shall be governed by the provisions of this instrument and by the laws of the State of Illinois as such laws relate to the respective rights and duties of landlords and tenants.

2. Cumulative Remedies. During the continuance of the Lease, the Lessor shall have all rights and remedies which this Lease and the laws of the State of Illinois assures to it. All rights and remedies accruing to the Lessor shall be cumulative, that is, the Lessor may pursue such rights as the law and this Lease affords to it in whatever order the Lessor desires and the law permits without being compelled to resort to any one remedy in advance of any other.

Article VII Indemnification of Lessor

Indemnification by Lessee. During the entire term of the Lease, the Lessee will indemnify and save harmless the Lessor against any and all claims, debts, demands, or obligations which may be made against the Lessor or against the Lessor's title in the premises, arising out of, or in connection with, any alleged act or omission of the Lessee or any person claiming under, by, or through the Lessee; and if it becomes necessary for the Lessor to defend any action seeking to impose any such liability, the Lessee will pay the Lessor all costs of court and attorneys' fees incurred by the Lessor in effecting such defense in addition to any other sums which the Lessor may be called upon to pay by reason of the entry of a judgment against the Lessor in the litigation in which such claim is asserted.

Article VIII Insurance

1. Insurance. From the time when the Lessee commences construction on the demised premises or any part thereof, or from and after any earlier date when the Lessee makes actual use of and occupies the demised premises, or any parts thereof, the Lessee shall cause to be written a policy or policies of insurance in the form generally known as public liability policies, insuring the Lessee against any and all claims and demands made by any person or persons whomsoever for injuries received in connection with the operation and maintenance of the premises, improvements, and buildings located on the demised premises or for any other risk insured against by such policies, each class of which policies shall have been written within limits of not less than \$500,000 for damages incurred or claimed by any one person for bodily injury, or otherwise, plus \$100,000 damages to property, and for not less than \$1,000,000 for damages incurred or claimed by more than one person for bodily injury, or otherwise, plus \$100,000 damages to property. All such policies shall name the Lessee and the Lessor, as their respective interests may appear, as the persons assured by such policies; and the original or a duplicate original of each of such policy or policies shall be delivered by the Lessee to the Lessor promptly upon the writing of such policies, together with adequate evidence of the fact that the premiums are paid. Lessee shall provide workers compensation coverage on all of the Lessee's employees as required by law and shall further provide Black Lung coverage with respect to those employees for which it is required by law to provide said coverage.

2. Delivery of Policies. The duplicate certificates of all such policies shall be delivered to the Lessor by the Lessee along with the receipted bills evidencing the fact that the premiums therefore are paid; but nothing herein contained shall be construed as prohibiting the Lessee from financing the premiums where the terms of the policies are for three years or more and in such event the receipts shall evidence it to be the fact that the installment premium payment or payments are paid at or before their respective maturities.

3. Insurance Premiums. The Lessee shall pay premiums for all of the insurance policies which the Lessee is obligated to carry under the terms of this Lease, and will deliver to the Lessor evidence of such payment before the payment of any such premiums become in default, and the Lessee will cause renewals of expiring policies to be written and the policies or copies thereof, as the Lease may require, to be delivered to Lessor at least ten days before the expiration date of such expiring policies.

Article IX Assignment

1. Written Assignment; Filing. This Surface Lease is not assignable without the express written consent of Lessor, and no assignment or transfer shall be valid unless the assignee shall expressly assume and agree to perform each and every covenant of this Lease which, by the terms hereof, the Lessee agrees to keep and perform, which assumption shall be evidenced by written recordable instrument (either by joinder in the assignment itself, or by separate instrument), nor shall such assignment be deemed valid, unless the assignment and assumption

agreement are promptly filed for record in the appropriate office, and an executed original thereof delivered to the Lessor.

2. Estoppel Certificates. Each party (Lessor and Lessee) agrees that each will, within 20 days after written notice requiring a statement of the status of the Lease, give such statement in writing to show whether the Lease is in good standing, and if it is not, the particulars in which it is not, and failure within such period of 20 days to give such written reply, shall constitute a representation that the Lease is in good standing, which representation any person may rely upon as being true and correct.

3. Lessee's Primary Liability. If the Lessee's interest in and to this Lease Agreement is assigned, the Lessee's liability for the performance of any of the terms, conditions, covenants, and agreements contained herein to be performed by the Lessee, shall be released.

Article X Condemnation

1. Eminent Domain; Cancellation. If, at any time during the continuance of the Lease, the demised real estate or the improvements or building or buildings located thereon, or any portion thereof is taken or appropriated or condemned by reason of eminent domain, there shall be such division of the proceeds and awards in such condemnation proceedings and such abatement of the rent and other adjustments made as shall be just and equitable under the circumstances. If the Lessor and the Lessee are unable to agree upon what division, annual abatement of rent or other adjustments as are just and equitable, within 30 days after such award has been made, then the matters in dispute shall, by appropriate proceedings, be submitted to a court having jurisdiction of the subject matter of such controversy for its decision and determination of the matters in dispute. If the legal title to the entire premises be wholly taken by condemnation, the Lease shall be canceled.

2. Apportionment. Although the title to the building and improvements placed by the Lessee upon the demised premises will pass to the Lessor, nevertheless, for purpose of condemnation, the fact that the Lessee placed such improvements on the demised premises shall be taken into account and the deprivation of the Lessee's use of such building and improvements and the damage to Lessee's other property shall, together with the term of the lease remaining, be an item of damage in determining the portion of the condemnation award to which the Lessee is entitled. In general, it is the intent of this Section that, upon condemnation, the parties hereto shall share in their awards to the extent that their interests, respectively, are depreciated, damaged, or destroyed by the exercise of the right of eminent domain. In this connection, if the condemnation is total, the parties agree that the condemnation award shall be allocated so that the then value of the property, as though it were unimproved property, shall be allocated to the Lessor, and the then value of the improvements thereon shall be allocated between the Lessor and Lessee after giving due consideration to the number of years remaining in the term of this Lease and the condition of the buildings at the time of condemnation.

Article XI Construction

1. Improvements Not Mandatory. This Lease is executed with the understanding and agreement that the Lessee is not obligated to construct any improvements on the demised premises, but if the Lessee desires to construct improvements on the demised premises or any portion thereof, such improvements will be a Surface Mining Facility within the definition of 225 ILCS 705/1.16.

2. Lessee to Bear Expenses. If and when Lessee desires to construct any improvements, the Lessee covenants and agrees that the improvements must be constructed and paid for wholly at the expense of the Lessee.

3. Financial Commitment. Before commencing the improvements, the Lessee agrees that it will have arranged for financing so that at all times there will be available to the Lessee sufficient funds to pay for the cost of construction of the proposed improvements.

Article XII Mortgage Financing

1. Construction Mortgages. Upon the circumstances and subject to the terms contained in this Article, the Lessee may, in conjunction with the construction work on the property and in conjunction with permanent financing, require the Lessor to join with the Lessee in the execution of a mortgage or mortgages to provide both temporary financing and permanent financing for a Surface Mining Facility to be erected on the demised premises.

2. Institutional Lender. Any such mortgage will be in favor of an institutional lender as mortgagee. As used herein, "institutional lender" means any bank, trust company, savings and loan association, insurance company, pension fund or title insurance company, REITS's or similar organization, authorized to make mortgage loans in Saline County, Illinois.

3. Nonrecourse. Any such mortgage must contain a provision that the mortgagee recognizes it to be a fact that the joinder by the Lessor in the mortgage is for the purpose of creating a mortgage lien against the property encumbered by it and that no personal liability shall ever attach to or personal judgment be sought or obtained against the Lessor by reason of the Lessor's joinder in the mortgage. Should the respective mortgagees, or any of them, require the joinder by the Lessor in the note or notes secured by the respective mortgages referred to in this Lease, then and in that event or events, there shall be, likewise, no personal liability attached to, or personal judgment sought or obtained against the Lessor by reason of the Lessor's joinder in such note or notes.

4. Debt Service. The Lessee shall submit satisfactory evidence to the Lessor that the total income each month from the Surface Mining Facility will not be less than 100% of the debt service on a permanent loan in an amount then committed to be advanced under such mortgage. As used herein, the term "Debt Service" means the monthly installment of principal and interest

necessary to amortize the loan.

5. Expenses. Before and during construction the Lessee shall draw Demised Premises Expenses from a Construction and Development Loan. As used in this Lease the term "Demised Premises Expenses" means expenses incurred in connection with the demised premises; the development thereof; the construction, reconstruction, and/or alteration of buildings, structures, and improvements thereto; development costs, including site preparation, site investigation, off-site improvements, temporary improvements, maintenance of off-site improvements, test borings, piling, filling, compacting, dredging, excavation, and demolition; bringing utilities to the demised premises; customary and reasonable related professional fees and disbursements, including those of attorneys, architects, brokers, surveyors, and engineers; contractors' overhead and profit; fees, charges, and expenses of the applicable Mortgagee; commitment fees and other charges with respect to all mortgage loans; interest charges with respect to construction loans, real estate taxes, and insurance premiums incurred before the consummation of the loan secured by the first Permanent Mortgage executed by the Lessor.

6. Conditions of Construction Loan. The Construction Loan shall be subject to the following restrictions:

(a) Amount. The Construction Loan may not be for an amount in excess of the amount on the Permanent Mortgage Commitment.

(b) Bid Amount. In the event that construction is to be started before a Permanent Mortgage Commitment is obtained, then the Construction Loan can only be for the amount bid for the construction of the Surface Mining Facility. If the successful bidder is an organization owned or controlled by the Lessee then this bid must be under the amount of bids obtained from outside general contractors presently working in Saline County, Illinois.

7. Proceeds of Loan Application. The Lessor hereby directs any lender making any loan to pay the proceeds thereof directly to the Lessee. The Lessor shall execute any appropriate documents required by any such lender for such purpose. If any lender shall refuse to pay the proceeds of any such loan to any person other than the Lessor or to Lessor and Lessee jointly, the Lessor shall pay over the proceeds to the Lessee immediately on receipt, and endorse and deliver to Lessee any check made payable jointly to Lessee and Lessor.

8. Power of Attorney. The Lessor will give Lessee a General Power of Attorney so that the Lessee can sign on behalf of the Lessor any Mortgages, Consent Agreements, Subordination Agreements, or any other documents necessary with the leasing or financing of the demised premises. Any mortgage must comply with the provisions above. All documents or instruments executed under the General Power of Attorney must be approved by the Lessor prior to any execution under the General Power of Attorney.

9. Refinancing. The Lessee shall have the right to refinance the permanent mortgage from time to time provided that any new permanent mortgage must comply with the

following conditions:

(a) The new permanent mortgage shall provide for a principal amount sufficient to pay all of the costs and expenses of such refinancing and the then unpaid principal balance of the permanent mortgage then existing; and

(b) The holder or mortgagee of any such new permanent mortgage shall be an institution lender as hereinabove defined; and

(c) The new permanent mortgage shall provide for self-liquidation by its maturity date as a result of the application of the amortization payments provided for therein; shall not have a term longer than 15 years; and shall not bear interest at a rate in excess of the then prevailing rate of interest on similar institutional financing.

Article XIII Default

1. Effect of Default By Lessee. If at any time a default shall be made by the Lessee in the payment of any of rent upon any day such rent becomes due and payable, or if the Lessee shall fail to perform any of the other covenants of this Lease by it to be kept and performed, then, in any of such events, it shall be lawful for the Lessor, upon election, to declare the lease term ended and to re-enter upon the premises and the building or buildings and improvements situated thereon, or any part thereof or thereon, either with or without process of law, the Lessee waiving any demand for possession of such premises and any and all buildings and improvements then situated thereon, or the Lessor may have such other remedy as the law and this instrument may afford. Upon the termination of the demised term, at such election of the Lessor, or in any other way, the Lessee shall surrender and deliver up the demised premises and property (real and personal) peaceably to the Lessor, or the agent or attorney of the Lessor, immediately upon the termination of the demised term; and if the Lessee shall hold such premises, or any part thereof, one day after the same should be surrendered, according to the terms of this Lease, it shall be deemed guilty of forcible detainer of the premises under the statutes and shall be subject to eviction or removal, forcibly or otherwise, with or without process of law.

2. Landlord-Tenant Relationship Only. The relationship between the parties is that of Landlord and Tenant, and the Lessee specifically acknowledges that all statutory proceedings regulating the relationship of Landlord and Tenant respecting collection of rent or possession of the premises, accrue to the Landlord.

3. Lessor's Remedies. Nothing herein shall be construed as authorizing the Lessor to declare this Lease in default, however, where the default consists in the nonpayment of rent, security, insurance, premiums, or taxes until such nonpayment, in violation of the terms of this Lease, shall have continued for 30 days after the respective due dates for payment of such taxes, security, insurance premiums, and rent, and where the alleged default consists of some violation other than the nonpayment of rent, security, insurance premiums, or taxes, the Lessor may not declare this Lease in default until such violation shall have continued for 30 days after the Lessor

shall have given the Lessee written notice of such violations, provided, however, that nothing contained herein shall be construed as precluding the Lessor from having such remedy as may be and become necessary in order to preserve the Lessor's right and the interest of the Lessor in the premises and in this Lease, even before the expiration of the grace or notice periods provided for in this Section; if, under particular circumstances then existing, the allowance of such grace or the giving of such notice would prejudice or endanger the rights and estate of the Lessor in this Lease and in the demised premises.

4. Default Period. All default and grace periods shall be deemed to run concurrently and not consecutively.

5. Legal Costs; Receiver. Subject to the rights of the holder of any first mortgage to which this Lease has been subordinated, the Lessee pledges with, and assigns to, the Lessor all of the rents, issues, and profits which might otherwise accrue to the Lessee for the use, enjoyment, and operation of the demised premises and, in connection with such pledging of the rents, the Lessee covenants and agrees with the Lessor that if the Lessor, upon the default of the Lessee, elects to file suit in chancery to enforce the Lease and protect the Lessor's rights, then the Lessor may, as ancillary to such suit, apply to any court having jurisdiction thereof for the appointment of a receiver of all and singular the demised premises, the improvements, and buildings located thereon; and, thereupon, it is expressly covenanted and agreed that the court shall, forthwith, appoint a receiver with the usual powers and duties of receivers in like cases, and such appointment shall be made by such court as a matter of strict right to the Lessor and without reference to the adequacy or inadequacy of the value of the property, which is subject to the Landlord's lien, or to the solvency or insolvency of the Lessee and without reference to the commission of waste.

Article XIV Additional Covenants of Lessee

1. Legal Use. The Lessee covenants and agrees with the Lessor that the premises will be used for legal purposes only.

2. Insurance Claims. No damage or destruction to any building or improvements by fire, windstorm, or any other casualty shall be deemed to entitle the Lessee to surrender possession of the premises or to terminate this Lease or to violate any of its provisions or to cause any rebate or reduction in the rent when due or thereafter becoming due under the terms hereof; and if the Lease shall be canceled for the Lessee's default at any time while there remains outstanding any obligation from any insurance company to pay for the damage or any part thereof, then the claim against the insurance company shall, upon the cancellation of the within Lease, be deemed to become the absolute and unconditional property of the Lessor.

3. Termination. At the termination of this Lease the Lessee will peaceably and quietly deliver possession of the premises.

Article XV Quiet Enjoyment

The Lessor covenants and agrees with Lessee that so long as the Lessee keeps and performs all of the covenants and conditions by the Lessee to be kept and performed, the Lessee shall have quiet and undisturbed and continued possession of the premises, free from any claims against the Lessor and all persons claiming under, by, or through the Lessor.

Article XVI Right of Entry

The Lessor and its agents shall have the right to enter upon the premises at all reasonable times to examine the condition and use thereof, provided only that such right shall be exercised in such manner as to comply with all Mine Safety and Health Administration rules and regulations and in such manner as not to interfere with the Lessee in the conduct of the Lessee's business on such premises.

Article XVII Miscellaneous

1. Force Majeure. In the event that the Lessor or Lessee shall be delayed, hindered in, or prevented from the performance of any act required hereunder by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, restrictive government laws or regulations, riots, insurrection, the act, failure to act or default of the other party, war or other reason beyond its control, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay.

2. Estoppel Certificates. Either party shall, without charge, at any time and from time to time hereafter, within ten days after written request of the other, certify by written instrument duly executed and acknowledged to any mortgagee or purchaser or proposed mortgagee or proposed purchaser, or any other person, firm, or corporation specified in such request:

(a) As to whether this Lease has been supplemented or amended, and, if so, the substance and manner of such supplement or amendment;

(b) As to the validity and force and effect of this Lease, in accordance with its tenor as then constituted;

(c) As to the existence of any default thereunder;

(d) As to the existence of any offsets, counterclaims, or defenses thereto on the part of such other party;

(e) AS to the commencement and expiration dates of the term of this Lease; and

(f) As to any other matters as may reasonably be so requested.

Any such certificate may be relied upon by the party who requested it and any other person, firm, or corporation to whom the same may be exhibited or delivered, and the contents of such certificate shall be binding on the party executing the same.

3. Duplicates; Recordation. The parties will at any time, at the request of either one, promptly execute duplicate originals of an instrument, in recordable form, which will constitute a short form of lease, setting forth a description of the demised premises, the term of this Lease and any other portions thereof, excepting the rental provisions, as either party may request.

4. No Recourse. Notwithstanding anything to the contrary, the Lessor shall look solely to the interest of the Lessee hereunder for the satisfaction of any remedy it may have hereunder or in connection herewith and shall not look to any other assets of the Lessee or of any other person, firm, or corporation. If the Lessee shall be a corporation or limited liability company, there shall be absolutely no personal liability on the part of any present or future stockholder, member, or any officer or director of such corporation or limited liability company, or any of its successors or assigns with respect to any obligation hereunder or in connection herewith. If the Lessee shall be a firm, partnership, joint venture, or association, there shall be absolutely no personal liability on the part of any such firm, partnership, joint venture, or association with respect to any obligations hereunder or in connection herewith. If the Lessee assigns its Leasehold Interest to Lessor, it shall be completely relieved of all liability hereunder or in connection herewith, whether or not accrued at the time of assignment and whether or not a cause of action exists at such time or arises thereafter. Such exculpation of liability shall be absolute and without any exception whatsoever.

5. Consent Not To Be Unreasonably Withheld. Whenever the Lessee requests any consent, permission, or approval which may be required or desired by the Lessee pursuant to the provisions hereof, the Lessor shall not unreasonably withhold or postpone the grant of such consent, permission, or approval. If the Lessee requests such consent, permission, or approval and Lessor does not notify Lessee of its express disapproval thereof within 45 days after the receipt of such request setting forth its reasons therefore, such consent, permission, or approval shall be deemed to have been granted.

6. Right of First Refusal to Purchase. The Lessor shall not sell or grant options with respect to or otherwise dispose of the demised premises unless Lessor shall (i) have received a bona fide arm's-length offer from an unaffiliated party for such sale or disposition, (ii) have notified Lessee in writing of the identity and address of the offeror and all of the provisions of such offer, and (iii) afford to Lessee the prior option to purchase or to otherwise acquire the demised premises on the same provisions as those contained in the offer.

7. Option Procedure. Such option shall be exercisable by written notice given within the 30 days next following the receipt by the Lessee of Lessor's notice of such offer, which shall be given by the Lessor within ten days after receipt of such offer. If the Lessee shall fail to exercise its option and if the Lessor shall not thereafter sell or dispose of the demised premises pursuant to the provisions of such offer the foregoing prohibition against sale or other disposition by the Lessor shall continue in full force and effect, and the Lessee's foregoing option shall

thereafter apply to any subsequent offer on the same terms as set forth above.

8. Notice of Exercise of Option. The notice provided in Section 7. shall set forth therein the time of closing and a place of closing (which may not be more than 50 miles from the demised premises unless the Lessor consents thereto). The time of closing shall be designated in the notice of exercise but not later than 60 days after the giving of such notice.

9. Closing. At such closing conference (i) the Lessee shall pay to Lessor (by good certified check or an official check of a bank or trust company) the applicable purchase price; (ii) the Lessor shall convey good and marketable title of the demised premises to the Lessee free and clear of all encumbrances and title defects other than those which arose at the Lessee's request or by virtue of the Lessee's tenancy; and (iii) the Lessor and Lessee shall execute any and all documents which may be necessary to effectuate such closing and the transfer of title contemplated hereunder.

10. Related Transactions; Inapplicability. The foregoing provisions of this Section shall not apply to the sale, transfer, or other disposition of the demised premises to a corporation or other entity owned or controlled by Lessor.

11. Federal Income Tax Deductions. Only the Lessee shall have the right to take deductions and/or credits on its tax returns with respect to such buildings, structures, improvements, changes, alterations, repairs, additions, and installations and the depreciation or cost recovery thereof.

12. Covenants Running with Land. All covenants, promises, conditions, and obligations herein contained or implied by law are covenants running with the land and shall attach and bind and inure to the benefit of the Lessor and Lessee and their respective heirs, legal representatives, successors, and assigns, except as otherwise provided herein.

13. No Waiver. No waiver of a breach of any of the covenants in this Lease shall be construed to be a waiver of any succeeding breach of the same covenant.

14. Arrears. All arrearages in the payment of rent shall bear interest from the date when due and payable at the then prime rate of CitiBank, New York, New York per annum until paid.

15. Written Modifications. No modification, release, discharge, or waiver of any provisions hereof shall be of any force, effect, or value unless in writing signed by the Lessor, or its duly authorized agent or attorney.

16. Entire Agreement. This instrument contains the entire agreement between parties as of this date. The execution hereof has not been induced by either party by representations, promises, or understandings not expressed herein and there are no collateral agreements, stipulations, promises, or undertakings whatsoever upon the respective parties in any way touching the subject matter of this instrument which are not expressly contained in this instrument.

17. Notices. If either party desires to give notice to the other in connection with and according to the terms of this Lease, such notice shall be given by registered or certified mail and it shall be deemed given when deposited in the United States mails with postage prepaid and such notices shall be addressed as follows:

For the Lessor:

Sugar Camp Coal LLC
29 W. Raymond
Harrisburg, IL 62946

For the Lessee:

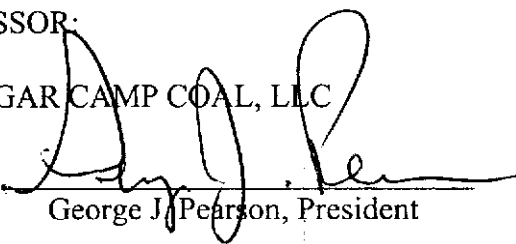
Arclar Company LLC
29 W. Raymond
Harrisburg, IL 62946

Nothing herein contained shall be construed as prohibiting the parties respectively from changing the place at which notice is to be given, but no such change shall be effective unless and until it shall have been accomplished by written notice given in the manner set forth in this Section.

IN WITNESS WHEREOF, the Lessors and the Lessee have hereunto caused their authorized agents to set their hands and seals, the day and year above written.

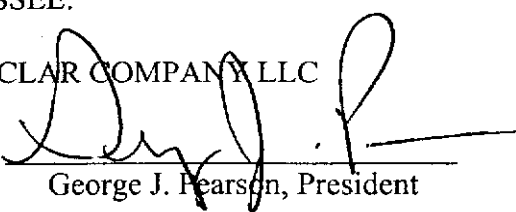
LESSOR:

SUGAR CAMP COAL, LLC

By: 
George J. Pearson, President

LESSEE:

ARCLAR COMPANY LLC

By: 
George J. Pearson, President

State of Illinois)
: ss.
County of Saline)

I, the undersigned, Notary Public, in and for said County in the State aforesaid, do hereby certify that GEORGE J. PEARSON, personally known to me to be the President of SUGAR CAMP COAL, LLC, an Indiana limited liability company, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such President, he signed and delivered the said instrument as President of said limited liability company, pursuant to authority given by the Members of said limited liability company, as his free and voluntary act, and as the free and voluntary act of said limited liability company, for the uses and purposes therein set forth.

Given under my hand and notarial seal this 13th day of May, 2000.

Beth Harris
Notary Public

State of Illinois)
: ss.
County of Saline)



I, the undersigned, Notary Public, in and for said County in the State aforesaid, do hereby certify that GEORGE J. PEARSON, personally known to me to be the President of ARCLAR COMPANY LLC, an Indiana limited liability company, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such President, he signed and delivered the said instrument as President of said limited liability company, pursuant to authority given by the Members of said limited liability company, as his free and voluntary act, and as the free and voluntary act of said limited liability company, for the uses and purposes therein set forth.

Given under my hand and notarial seal this 13th day of May, 2000.

Beth Harris
Notary Public



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